



MIRAI Corporation

Asset Replacement and Revisions to Forecasts

- Supplementary Material for the Press Release dated October 28, 2022 -






October 28, 2022

AM Company: Mitsui Bussan & IDERA Partners Co., Ltd.
Security Code: 3476 <https://3476.jp/en>

Asset Replacement and Revisions to Forecasts

Asset replacement leading to portfolio quality improvement in line with the “Smart Defense” strategy

	Acquisition	Disposition (Assets to be replaced)
	 MI Terrace Sendai Hirose-dori	  Comfort Hotel Nagano (disposed) Orico Hakataeki Minami Building
Acquisition/ Disposition Price	2,022 million yen	2,670 million yen
Appraisal Value (Note 1)	2,310 million yen	2,368 million yen
Unrealized Gain (Note 2)	+248 million yen →	+5 million yen
NOI Yield after Depreciation (Note 3)	4.4% →	3.7%
Number of Tenants	18 →	2

Tenant Diversification	2 → 18	<ul style="list-style-type: none"> Disposing 2 single-tenant assets Acquiring mid-sized office with 18 tenants
Profitability Improvement	+0.5%	<ul style="list-style-type: none"> Increasing average NOI yield after dep. 3.9% (Disposition) - 4.4% (Acquisition)
NAV/U Improvement	+138 yen	<ul style="list-style-type: none"> Acquisition at a discount Acquisition price 12.5% discount to appraisal value
Disposition Gain	226 million yen	<ul style="list-style-type: none"> Disposition gain over two fiscal periods secured through disposition at above appraisal value

DPU Forecasts (Note 4)

13 th FP (October 2022)	1,285 yen →	1,285 yen
	Maintain DPU forecast	
14 th FP (April 2023)	1,285 yen →	1,285 yen

Note 1: Appraisal date - MI Terrace Sendai Hirose-dori: September 30, 2022; Others: April 30, 2022.

Note 2: The figure of “Acquisition” is the difference between the appraisal value and the estimated book value at the time of acquisition; the figures of “Disposition” are the difference between the appraisal value and the book value at the end of April 2022.

Note 3: The figure of “Acquisition” is calculated based on the acquisition price to the appraisal NOI. The figures of “Disposition” are calculated based on the book value to actual results for the fiscal period ended April 30, 2022.

Note 4: These forecasts are calculated based on certain assumptions as of October 28, 2022 and subject to change due to conditions such as change in rent income thorough tenant turnovers, acquisition and disposition of assets, and additional unit issuance. The forecasts should not be construed as guarantee of DPU.

Overview of Asset Replacement

	Acquisition
Name	 MI Terrace Sendai Hirose-dori
Asset Type	Office
Address	Sendai-shi, Miyagi
Acquisition/Disposition Date	November 1
Acquisition/Disposition Price	2,022 million yen
Appraisal Value	2,310 million yen
Unrealized Gain	+248 million yen
Disposition Gain	-
NOI Yield	4.9%
NOI Yield after Depreciation	4.4%
Number of Tenants	18

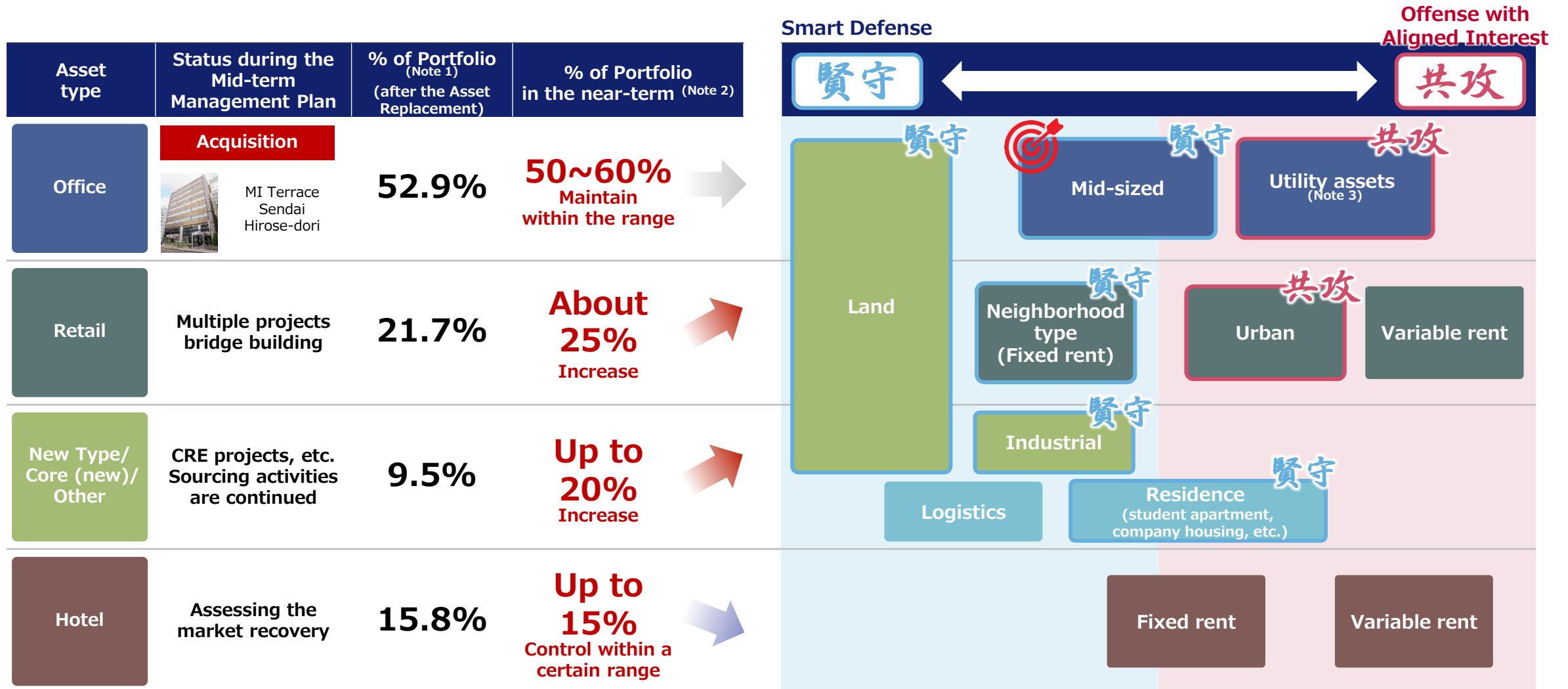


Disposition	
 Comfort Hotel Nagano	 Orico Hakataeki Minami Building
Hotel	Office
Nagano-shi, Nagano	Fukuoka-shi, Fukuoka
June 30 (Disposed)	October 31 (50%) November 30 (50%)
670 million yen	2,000 million yen
588 million yen	1,780 million yen
(47) million yen	+52 million yen
0 million yen	255 million yen
5.5%	4.4%
4.0%	3.9%
1	1

Note: The acquisition of MI Terrace Sendai Hirose-dori and the disposition of Orico Hakataeki Minami Building announced in the "-Notice Concerning Acquisition ("MI Terrace Sendai Hirose-dori") and Disposition ("Orico Hakataeki Minami Building") of Real Estate Trust Beneficiaries in Japan" dated October 28, 2022 are collectively referred to as the "Asset Replacement".

Portfolio Strategy in the Near Term ("Smart Defense & Offense with Aligned Interest")

MI Terrace Sendai Hirose-dori: Mid-sized office with good tenant diversification (Smart Defense)



Note 1: Based on acquisition price.

Note 2: It is an image formulated by the asset management based on the current real estate market conditions and investment strategy, and there is no guarantee that the said investment ratio will be achieved in the future, as it may be affected by various factors such as changes in the market environment in the future.

Note 3: This refers to mixed-use properties in the suburbs of central Tokyo that can be converted into satellite offices or can attract service sector tenants.

Asset to be Acquired

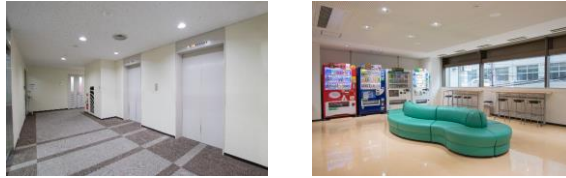
MI Terrace Sendai Hirose-dori

Office
(Regional Core City)

Core Asset

Office

Mid-sized building located in the central office district in Sendai



Address	Aoba-ku, Sendai-shi Miyagi
Land Area	1,120.04 sqm
Gross Floor Area	5,815.38 sqm

Structure	SRC 8F
Occupancy Rate (Number of tenants)	98.4% (18)
Date of Building	July 1991

Acquisition Price

2,022 million yen

Appraisal Value

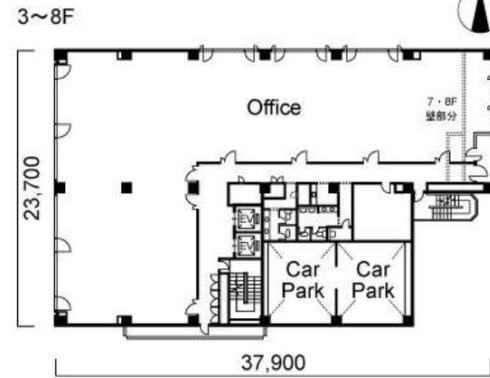
2,310 million yen

NOI Yield

4.9%

NOI Yield after Dep.

4.4%



Standard floor plan



Parking garage (64 cars)

- The property is located five-minutes walk from "Aoba-dori Ichibancho" Station of Sendai Subway Tozai Line and "Hirose-dori" Station of Subway Nanboku Line. "Aoba-dori and Hirose-dori" area is the central office district in Sendai City.
- The property has a ceiling height of 2,550mm, OA floor (H=50mm), and individual air-conditioning, and with a gross floor area of approximately 2,057 tsubo and a standard floor area of approximately 163 tsubo, it is in the volume zone in Sendai City. It is also equipped with a large parking (64 cars) for vehicles used for business activities that are in high demand in regional cities.
- The shape of the rentable area is generally rectangular in shape and can be divided into floors of 30 to 40 tsubo, which is in high demand in Sendai City. Therefore, it is expected to have a certain level of competitiveness as a standard grade mid-sized office in the "Aoba-dori/Hirose-dori" area.

Asset to be Acquired

MI Terrace Sendai Hirose-dori

Office
(Regional Core City)

Core Asset

Office

Mid-sized building located in the central office district in Sendai

- Hi tenant retention with **over 80%** of tenants continuing the tenancy for **over 8 years**.
- Mid- to long-term stable rent revenue expected with well **diversified tenant base** both on sector and usage.
- Upside is expected** given current in place average rent of 8,590 yen / tsubo (exclude 1st floor retail space) against market rent of approx. 10,000 to 11,000 yen / tsubo.

Tenant Composition

8 th	A			
7 th	B	C	D	E
6 th	F		G	H
5 th	I	Vacant	J	
4 th	K	L		M
3 rd	H (Principal tenant)			N
2 nd	O	P	Q	
1 st	R (Convenience store)			

Average Length of Stay
(based on rent)

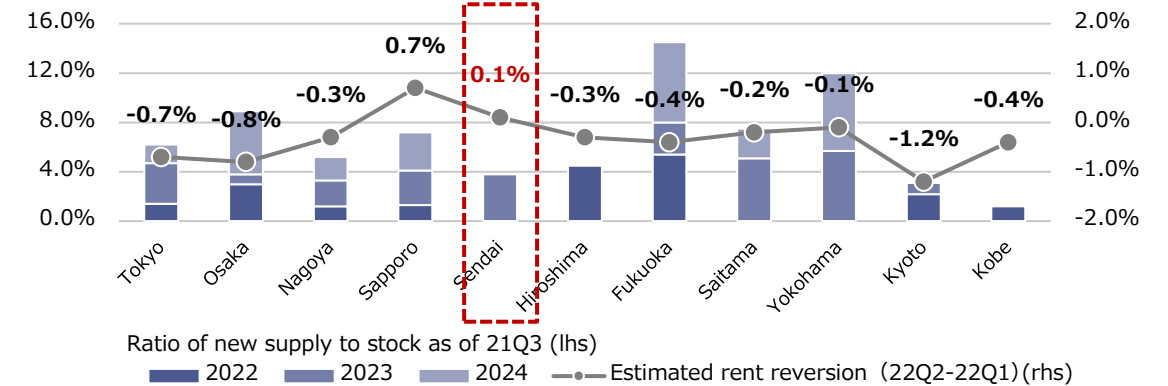
11.3 years

Rent Gap
(excluding 1st floor retail space)

(18.2%)

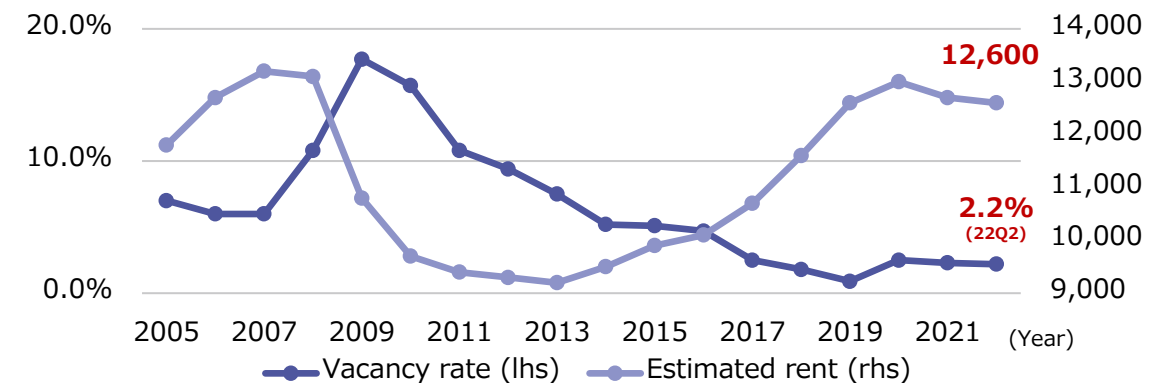
- Low level of new supplies compared to existing space till 2024 among major regional cities.
- Impact of COVID-19 is limited compared to Tokyo. Multiple leasing of over 100 tsubo concluded for expansion needs of call centers, etc. in recent months.
- As central business district in Sendai City, "Aoba-dori and Hirose-dori" area maintains low vacancy and higher contracted rent compared to the average in the city.

% of new supply against existing space and recent estimated rent reversion



Source: CBRE

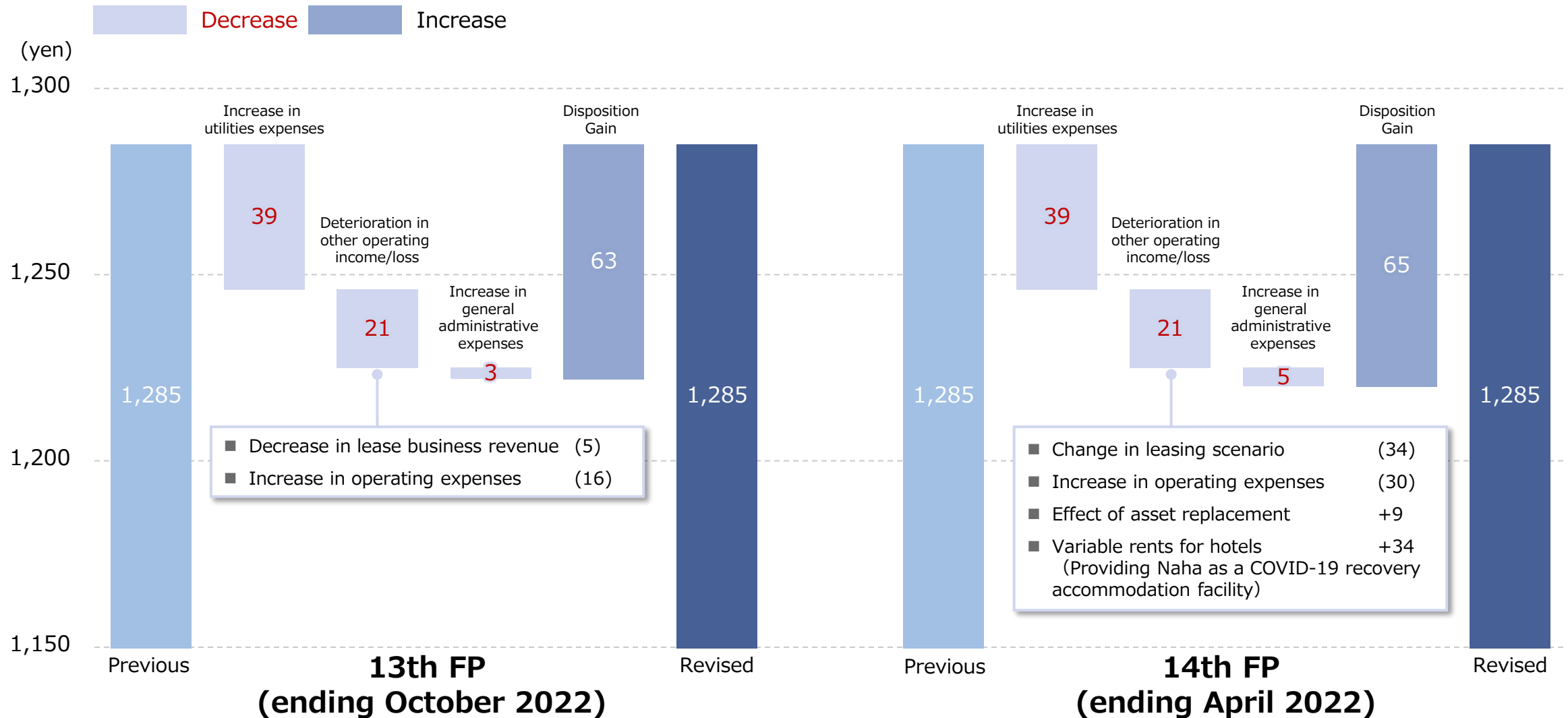
Vacancy rate and estimated rent in "Aoba-dori and Hirose-dori" area



Source: CBRE

Changes in DPU

Disposition gain over two fiscal periods covered downside risks and maintained previous forecasts



Financial Forecasts *Revised on October 28

		13 th FP Forecasts		Changes	14 th FP Forecasts		Changes
		(Previous)	(Revised)		(Previous)	(Revised)	
Operating revenue	million yen	5,492	5,653	161	5,393	5,669	275
Lease business revenue	million yen	4,591	4,582	(8)	4,579	4,604	25
Other lease business revenue	million yen	900	959	58	814	950	136
Disposition gain	million yen	0	111	111	-	114	114
Operating expenses	million yen	1,710	1,866	155	1,585	1,853	267
NOI	million yen	3,781	3,675	(105)	3,807	3,702	(105)
Depreciation	million yen	657	657	-	675	675	0
General administrative expenses	million yen	559	565	5	559	567	8
Non-operating expenses	million yen	287	287	-	295	295	-
Net profit	million yen	2,276	2,276	0	2,276	2,275	(0)
DPU	yen	1,285	1,285	-	1,285	1,285	-
CAPEX	million yen	569	522	(47)	694	791	96
NCF	million yen	3,212	3,153	(58)	3,113	2,910	(202)
Number of properties		37	37	-	37	37	-
Outstanding interest-bearing debt	million yen	84,000	84,000	-	84,000	84,000	-
LTV	%	48.9	48.9	-	48.9	48.9	-
Total number of outstanding investment units	Units	1,771,440	1,771,440	-	1,771,440	1,771,440	-


Portfolio List (after the Asset Replacement)

■ Office ■ Retail ■ Hotel ■ Other

Office

 1 Shinagawa Seaside ParkTower	 2 Kawasaki Tech Center	 3 Shinjuku Eastside Square	 4 Tokyo Front Terrace	 5 MI Terrace Nagoya Fushimi	 6 My Square Building	 7 Hiroshima Rijo-dori Building	 8 BizMiiX Yodoyabashi	 9 TCA Building	 10 Ehime Building/Hiroshima
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Asset to be acquired


 11
 MI Terrace Sendai Hirose-dori

Retail

 12 Shibuya World East Building	 13 THINGS Aoyama	 14 MI Cube Sendai Clisroad	 15 AEON Kasai	 16 MEGA Don Quijote Izumi Chuo	 17 CAINZ MALL Hikone (land)	 18 MaxValu Takatori (land)	 19 Tsurumi Fuga 1	 20 BIGMOTOR Ginan (land)
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Growth Assets

 33 Mi-Nara	 34 Rokko Island DC	 35 Odawara Material Storage & Delivery Center (land)	 36 Yokohama Daikokucho Maintenance Center (land)	 37 Tokyo Eiseigakuen Senmongakko
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Hotel

 21 Hotel Sunroute Niigata	 22 Daiwa Roynet Hotel Akita	 23 Super Hotel Senda/Hirose-dori	 24 Super Hotel Osaka/Tennoji	 25 Super Hotel Saitama/Omiya	 26 Super Hotel Kyoto/Karasumagojo	 27 Ise City Hotel Annex	 28 Comfort Hotel Kitakami	 29 Hotel Wing International Select Ueno/Okachimachi	 30 Smile Hotel Naha City Resort	 31 Smile Hotel Hakataeki-Mae	 32 Smile Hotel Nagoya Sakae
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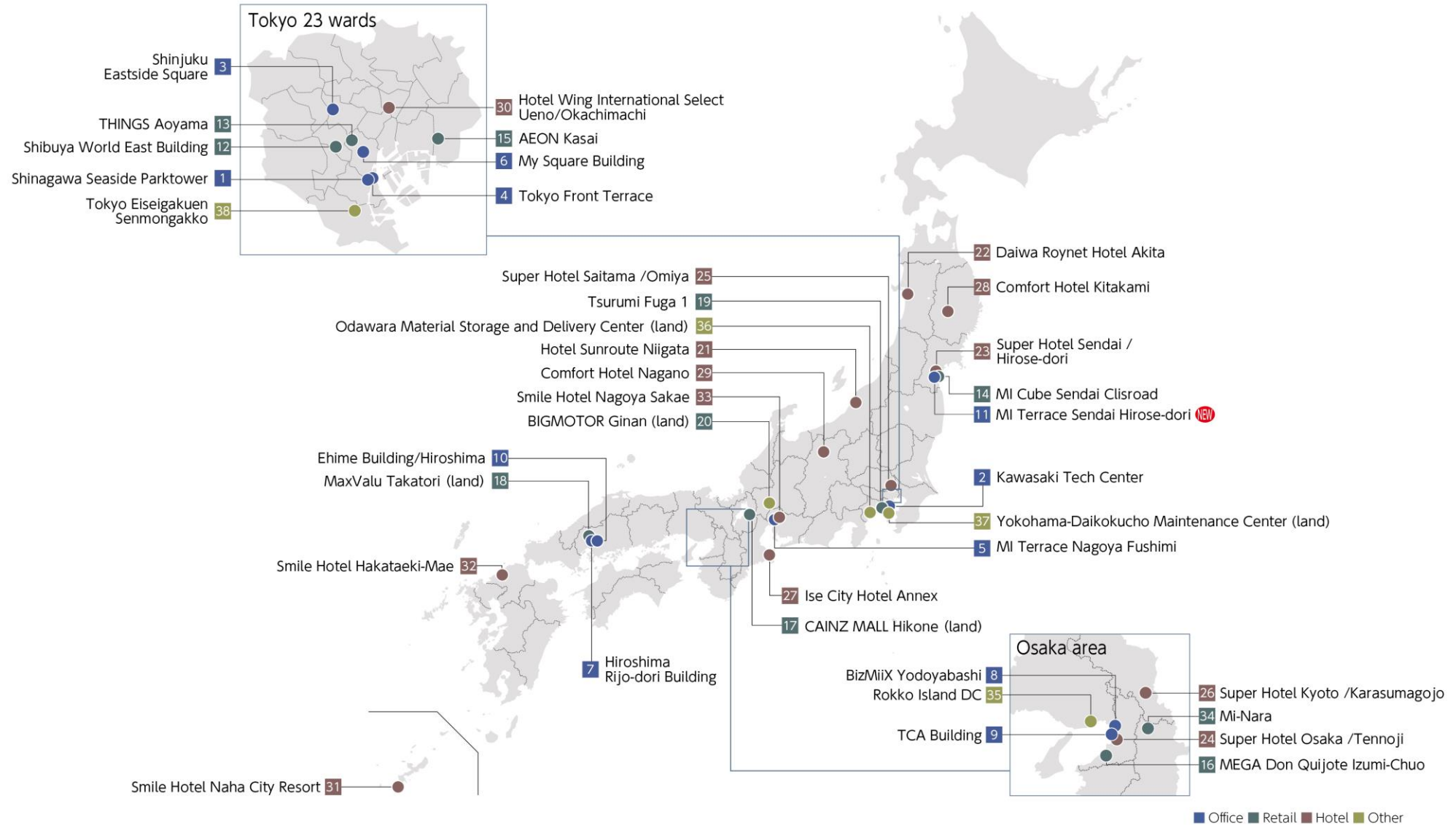
Portfolio List (after the Asset Replacement)

	Asset Type	Property Name	Address	Date of Acquisition	Acquisition Price (million yen)	% of the Portfolio	Appraisal NOI Yield	NOI after Depreciation	Occupancy Rate	
Core	Office	Large-scale	Shinagawa Seaside Parktower	Shinagawa-ku, Tokyo	December 2016	20,288	12.3%	4.5%	3.9%	96.3%
			Kawasaki Tech Center	Kawasaki-shi, Kanagawa	December 2016	23,182	14.1%	5.1%	4.1%	100.0%
			Shinjuku Eastside Square	Shinjuku-ku, Tokyo	December 2016	10,000	6.1%	3.7%	3.0%	98.5%
			Tokyo Front Terrace	Shinagawa-ku, Tokyo	October 2017	10,592	6.4%	4.0%	3.5%	81.3%
		Mid-sized	MI Terrace Nagoya Fushimi	Nagoya-shi, Aichi	June 2018	8,886	5.4%	4.8%	4.2%	100.0%
			My Square Building	Minato-ku, Tokyo	December 2019	2,800	1.7%	4.2%	3.8%	100.0%
			Hiroshima Rijo-dori Building	Hiroshima-shi, Hiroshima	March 2020	2,250	1.4%	5.3%	4.5%	100.0%
			BizMiiX Yodoyabashi	Osaka-shi, Osaka	November 2018	2,041	1.2%	2.8%	1.7%	78.2%
			TCA Building	Osaka-shi, Osaka	January 2021	2,120	1.3%	4.6%	4.0%	93.4%
			Ehime Building/Hiroshima	Hiroshima-shi, Hiroshima	January 2022	2,780	1.7%	4.9%	4.4%	98.6%
	MI Terrace Sendai Hirose-dori	Sendai-shi, Miyagi	November 2022	2,022	1.2%	4.9%	4.4%	98.5%		
	subtotal					86,962	52.9%	4.6%	3.8%	96.4%
	Retail	Urban	Shibuya World East Building	Shibuya-ku, Tokyo	December 2016	3,200	1.9%	5.6%	5.2%	100.0%
			THINGS Aoyama	Minato-ku, Tokyo	January 2020	2,912	1.8%	3.7%	3.5%	100.0%
			MI Cube Sendai Clisroad	Sendai-shi, Miyagi	March 2020	1,330	0.8%	4.9%	4.8%	100.0%
		Community-based	AEON Kasai	Edogawa-ku, Tokyo	December 2016	9,420	5.7%	5.3%	4.4%	100.0%
MEGA Don Quijote Izumi-Chuo			Izumi-shi, Osaka	December 2016	3,000	1.8%	4.4%	3.7%	100.0%	
CAINZ Mall Hikone (land)			Hikone-shi, Shiga	March 2021	3,598	2.2%	5.1%	5.1%	100.0%	
MaxValu Takatori (land)			Hiroshima-shi, Hiroshima	March 2021	950	0.6%	4.6%	4.6%	100.0%	
Tsurumi Fuga 1			Yokohama-shi, Kanagawa	January 2022	5,300	3.2%	4.4%	3.6%	100.0%	
BIGMOTOR Ginan (land)			Hashima-gun, Gifu	January 2022	1,080	0.7%	4.2%	4.2%	100.0%	
subtotal					30,790	18.7%	4.8%	4.3%	100.0%	

Portfolio List (after the Asset Replacement)

	Asset Type		Property Name	Address	Date of Acquisition	Acquisition Price (million yen)	% of the Portfolio	Appraisal NOI Yield	NOI after Depreciation	Occupancy Rate
Core	Hotel	Budget	Hotel Sunroute Niigata	Niigata-shi, Niigata	December 2016	2,108	1.3%	6.2%	4.7%	94.6%
			Daiwa Roynet Hotel Akita	Akita-shi, Akita	December 2016	2,042	1.2%	5.9%	4.1%	100.0%
			Super Hotel Sendai/Hirose-dori	Sendai-shi, Miyagi	December 2016	1,280	0.8%	5.9%	5.0%	100.0%
			Super Hotel Osaka/Tennoji	Osaka-shi, Osaka	December 2016	1,260	0.8%	5.3%	4.8%	100.0%
			Super Hotel Saitama/Omiya	Saitama-shi, Saitama	December 2016	1,123	0.7%	5.5%	4.3%	100.0%
			Super Hotel Kyoto/Karasumagojo	Kyoto-shi, Kyoto	December 2016	1,030	0.6%	5.3%	4.7%	100.0%
			Ise City Hotel Annex	Ise-shi, Mie	March 2018	1,800	1.1%	5.4%	4.5%	100.0%
			Comfort Hotel Kitakami	Kitakami-shi, Iwate	March 2018	820	0.5%	5.3%	3.0%	100.0%
			Hotel Wing International Select Ueno/Okachimachi	Taito-ku, Tokyo	May 2018	3,720	2.3%	4.3%	3.8%	100.0%
			Smile Hotel Naha City Resort	Naha-shi, Okinawa	November 2018	4,000	2.4%	4.4%	3.9%	100.0%
			Smile Hotel Hakatarki-mae	Fukuoka-shi, Fukuoka	November 2018	3,800	2.3%	3.1%	2.7%	100.0%
			Smile Hotel Nagoya Sakae	Nagoya-shi, Aichi	November 2018	2,950	1.8%	3.5%	2.9%	100.0%
			subtotal					25,933	15.8%	4.7%
Growth	Retail	Community-based	Mi-Nara	Nara-shi, Nara	October 2017	4,944	3.0%	4.2%	1.3%	93.6%
	Industrial		Rokko Island DC	Kobe-shi, Hyogo	November 2018	7,996	4.9%	5.5%	4.2%	100.0%
			Odawara Material Storage & Delivery Center (land)	Odawara-shi, Kanagawa	March 2021	2,300	1.4%	4.9%	4.9%	100.0%
			Yokohama-Daikokucho Maintenance Center (land)	Yokohama-shi, Kanagawa	March 2022	1,490	0.9%	4.0%	4.0%	100.0%
Educational		Tokyo Eiseigakuen Senmongakko	Ota-ku, Tokyo	January 2020	3,900	2.4%	5.8%	5.2%	100.0%	
Total Portfolio						164,316	100.0%	4.7%	3.9%	98.2%

Portfolio Map (after the Asset Replacement)



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Monetary amounts are rounded down to billions, millions or thousands of yen.

Percentage figures are rounded off to the first decimal place.

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